A bipartisan group of lawmakers is pressuring regulators to loosen a mortgage rule stemming from the Dodd-Frank financial reform law, arguing it will lock potential homeowners out of the market.

Sens. Johnny Isakson (R-Ga.), Kay Hagan (D-N.C.) and Mary Landrieu (D-La.), along with Reps. **John Campbell** (R-Calif.) and Brad Sherman (D-Calif.), gathered on Capitol Hill Wednesday to blast a proposal from financial regulators they say will make it too costly for many people to get a mortgage.

"If left as is, it would make recovery in the housing market almost impossible," Isakson said.

The lawmakers accused regulators of misreading the Dodd-Frank financial reform law when they proposed rules that set a down-payment requirement for mortgages that would be exempted from a new requirement of the Wall Street reform law.

At issue is a provision of Dodd-Frank that requires financial firms to retain some of the risk they create when packaging mortgages into bonds for sale. Under a March proposal offered by regulators, firms would have to retain 5 percent of the risk on such asset-backed securities, in an effort to guard against the widespread creation and selling of risky securities that played a role in the financial crisis.

However, that retention requirement would not apply to securities made from "qualified residential mortgages" (QRM), which would be deemed safe enough to be exempted.

In the regulators' proposal, a QRM would either have to be backed by the government or have a 20 percent down payment requirement. That latter qualification is what has lawmakers pushing back.

“The strict, inflexible restrictions proposed by banking regulators could put home ownership out of reach for many creditworthy American families," said Hagan. "This misinterpretation of our intent could unnecessarily slow the housing market’s recovery and prevent well-qualified, middle-class families from securing an affordable mortgage. We are urging regulators to go back to the drafting table."

The lawmakers said nothing in Dodd-Frank called for an explicit down-payment requirement to be part of the QRM definition.

The risk retention rules were scheduled to be completed by June 10. But after lawmakers began pushing back on the proposal, regulators announced they would not be completed until August, to "allow parties more time to consider the impact."

The lawmakers were joined by more than 40 consumer and industry groups that also opposed the proposed definition. Joining in the opposition were the National Association for the Advancement of Colored People and the Consumer Federal of America, as well as housing groups such as the National Association of Home Builders.